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Indonesia-China Relations: To Be Handled With Care

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EXECUTIVE SUMMARY

- Bilateral relations between Indonesia and China have always been complicated by being entangled with Indonesian domestic politics. Anti-Chinese sentiment and discriminatory policies against the sizeable ethnic-Chinese minority in the country have been prevalent throughout Indonesian history.
- Indonesia was among the first countries to establish diplomatic relations with the People's Republic of China in 1950, and developed especially close ties with Beijing under President Sukarno.
- The military-dominated New Order government under President Suharto regarded China as the primary external threat to Indonesian security and stability that replaced President Sukarno and froze diplomatic relations with Beijing till after the era of the cold war in 1990. But bilateral relations improved markedly only after the fall of President Suharto in 1998.
- China has now become Indonesia's largest trading partner and its third largest foreign investor. President Joko Widodo's courting of China's investment in major infrastructure projects has come under intense domestic criticism, especially due to the allegedly large influx of Chinese workers into Indonesia.
- The rise in identity politics in Indonesia has again conflated Indonesia-China relations with tensions over the role of Chinese-Indonesians, thereby threatening Indonesia's hard-won and still fragile inter-racial harmony.

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INTRODUCTION

Jakarta-Beijing relations have always been complicated since diplomatic ties were first established in 1950, and more than with any other country, relations with China to a lesser or greater degree continue to impinge on domestic affairs, due among other reasons to the significant influence of Chinese-Indonesians. Domestic dynamics tend to serve as the primary drivers of Indonesia's foreign policy, and currently both elite and public opinions are divided over the rise of China, which is seen as both a threat and an opportunity.¹ The increasingly close economic relations between Indonesia and China, particularly under President Joko Widodo, have come under growing domestic criticism, and are in the run-up to the April 2019 presidential election also becoming more politicised.

DRAWING LESSONS FROM THE PAST

Indonesia was among the first countries to accord recognition to the People's Republic of China (PRC) soon after its formation on 1 October 1949. Jakarta and Beijing established diplomatic relations on 13 April 1950, while all the western developed countries and their allies, under the aegis of the United States, continued to recognise the Republic of China with its capital in Taipei well into the 1970s.² From the beginning, Indonesia had adhered to a "One-China" policy with its capital in Beijing, a policy that was sustained even when Indonesia later froze diplomatic relations with China.

President Sukarno's foreign policy was shaped by his strong opposition to neocolonialism and imperialism which he regarded as directly threatening Indonesia. . The covert support given by both the British and the United States to the PRRI/Permesta regional rebellions in 1958 only reinforced Sukarno's threat perception.³ The formation of the Federation of Malaysia, which included the British North Borneo territories and Singapore, was regarded by Sukarno as part of the British ploy to retain influence and encircle Indonesia.⁴ The PRC was one of the few countries that supported Indonesia's *Konfrontasi* or confrontation against the newly formed Federation of Malaysia from 1963 till the fall of Sukarno in 1965. This led to the establishment of the Jakarta-Beijing axis.

The Indonesian army, which had become increasingly involved in politics under Sukarno's "Guided Democracy" (1959-1965),⁵ mostly deferred to Sukarno on matters relating to foreign policy. The confrontation against Malaysia, however, which benefitted the Indonesian Communist Party (PKI), and brought Jakarta ever closer to Beijing, greatly alarmed the army leadership. The heightened competition between the Army and the PKI to succeed the ailing President Sukarno came to a head with the murder of several senior generals in the late hours of 30 September 1965. The event, which came to be known as the *Gestapu* affair, was alleged to have been carried out by the PKI with the backing of China in an attempt to seize the initiative. In the counter-coup that followed President Sukarno was forced out of power by the Army under General Suharto, while the PKI was banned and its followers either killed or jailed.⁶ The PRC, whom the Army accused of supplying arms to the PKI, was regarded as the primary threat to Indonesian security and political stability. The military-dominated New Order government froze Indonesia's diplomatic relations with China on 30 October 1967 and kept them that way for over two decades.⁷

The position and role of the PKI were not the only thorny issues that marred early relations between Jakarta and Beijing. The sizeable presence of Overseas Chinese or *Tionghoa* in Indonesia, who have played a critical role in the economy since the colonial period, has often attracted distrust and jealousies from the indigenous communities. Efforts by successive governments in Beijing to mobilise support from Overseas Chinese made the latter's loyalty to their respective host countries come even more under suspicion, including in Indonesia.

Anti-Chinese sentiments remained high among large sections of the indigenous population, even as Indonesia's relations with China grew increasingly closer during the Guided Democracy era. In 1959 the Indonesian government introduced Government Regulation No. 10 (PP 10) which prohibited aliens from engaging in retail trade in rural areas effective from 1 January 1960, a move clearly aimed at curtailing the activities of ethnic Chinese in Indonesia. Even more drastic, in 1960 the West Java military commander banned alien Chinese from residing in that area. Beijing sent ships to repatriate an estimated 102,000 ethnic Chinese who decided to leave Indonesia as the result of these regulations.⁸

Throughout the New Order period, people of ethnic Chinese descent were forced to assimilate completely into the local cultures, and were forbidden from publicly expressing their Chinese heritage. At the same time, the New Order government gave special economic privileges to a few major ethnic Chinese conglomerates. Thus, the monopolistic practices and crony-capitalism under the increasingly corrupt and repressive New Order regime again led to rising anti-Chinese sentiment. Anti-Suharto demonstrations in the midst of the Asian financial crisis in 1998 were marked by anti-Chinese racial riots in many parts of the country.

Indonesia only resumed full diplomatic relations with the PRC on 8 August 1990, well over a decade after the United States and China established relations on 1 January 1979. The end of the Cold War and the diminished threat of communism, combined with China's modernisation policy which had accelerated its economic progress, persuaded the Suharto government to re-engage with Beijing. Strategic considerations also played an important role in Jakarta's drive to resume diplomatic relations with Beijing, for it could not afford to continue to ignore a large power such as China with its growing influence in regional affairs.

The New Order government's re-embrace of China, however, remained highly cautious. While communist supporters in Indonesia had been decimated and communism as an ideology banned, the paranoia about the possible rise of communism had not completely disappeared. This was especially true among the intelligence community and Islamic groups who continued to have reservations about resuming direct ties with China. Smaller and medium-scale indigenous business groups were also apprehensive that closer economic relations with China would mostly benefit local ethnic Chinese businesses.

JAKARTA-BEIJING RELATIONS SINCE 1998

More serious efforts to foster closer cooperation with China began to take place in the post-Suharto period, which also went hand in hand with the domestic policies of ending the discriminatory practices against the *Tionghoa* community, which were seen as part of Indonesia's democratisation and new commitment to protect the civil and political rights of

all its citizens. China's friendly policy towards ASEAN in general, including towards Indonesia, throughout the 1997-1998 Asian financial crisis earned the country the goodwill of the policy-makers in Jakarta. The fact that Beijing's official reaction to the 1998 anti-Chinese riots in Indonesia was relatively muted, regarding them as purely Indonesian domestic affairs, also added to Jakarta's increasingly warm attitude towards China. Beijing's quick support for Indonesia in the aftermath of the 26 December 2004 tsunami in Aceh further enhanced positive sentiments towards China as a whole.⁹

Indonesia-China relations began to grow closer under President Abdurrahman Wahid (20 October 1999-23 July 2001). As the daughter of Sukarno, President Megawati Sukarnoputri (23 July 2001-20 October 2014) was also able to add a more personal touch to Jakarta-Beijing relations. Bilateral relations were elevated to an even higher level during President Susilo Bambang Yudhoyono's two-term tenure (20 October 2004-20 October 2014). The two countries signed a Strategic Partnership in April 2005 during Chinese President Hu Jintao's state visit to Indonesia to attend the 50th anniversary commemoration of the 1955 Bandung Conference. In a meeting in Jakarta in October 2013, President Yudhoyono and President Xi Jinping elevated Indonesia-China relations to the level of a Comprehensive Strategic Partnership.

Indonesia-China relations have flourished at both the government-to-government and people-to-people levels with significant increases in two-way trade and tourism. Two-way trade increased from a total of USD 8.705 billion in 2005, slightly in favour of Indonesia, to USD 48.229 billion in 2015 with Indonesia incurring ever larger deficits, which in 2015 amounted to around USD 14.1 billion.¹⁰ China has now replaced Japan as Indonesia's largest trading partner. Indonesia also began to look to China for investment in infrastructure projects, such as roads, bridges, and power plants. China is now Indonesia's third largest foreign investor after Singapore and Japan.

Despite the increasingly close bilateral relations between Jakarta and Beijing, however, Indonesia continues to harbour reservations signifying its deep-seated ambivalence towards China and has avoided being too closely identified with China¹¹. China's increasingly assertive policy in the South China Sea since 2009 has reinforced concerns about whether China's rise will continue to be peaceful, especially in light of Beijing's perceived role in undermining ASEAN's unity. ASEAN's failure to issue a joint communique at its summit in Phnom Penh in 2012 for the first time in history, over a disagreement about a statement regarding the South China Sea, was widely known to be caused by Beijing's influence on Cambodia.

While the government is more concerned about the implications of China's rise on regional security, the wider population has tended to be more worried about the impact of China's economic intrusion on their livelihoods. They have felt increasingly threatened by the flooding of cheap, often illegal, goods from China. Prior to the full implementation of the ASEAN-China Free Trade Area Agreement (ACFTA) in January 2010, there were pressures on the Indonesian government from the business community and civil society to pull out of the agreement or renegotiate its terms with Beijing.¹² Indonesia's consistently widening trade deficits with China, as well as concerns about de-industrialisation and loss of jobs became more acute, reinforcing the general scepticism about the benefits of the ACFTA for the Indonesian economy.

Although the Indonesian public blamed the government for not sufficiently informing them about the ACFTA, and for not protecting Indonesian producers from the influx of cheap Chinese products, throughout the Yudhoyono period Indonesia's economic relations with China did not become a divisive political issue. Nor was Yudhoyono, better known for his "one million friends and zero enemies" foreign policy, seen as being too pro-China.

A marked change seems to have occurred in public attitude towards Indonesia's ever closer economic relations with China since President Joko Widodo, popularly known as Jokowi, took office in October 2014. Growing criticisms about the various negative impacts of China's economic roles in Indonesia are now often accompanied by charges against Jokowi himself. While most of the criticism from foreign policy observers focused on the wider security implications of Indonesia's increasing dependence on China's investment, particularly on the constraint this has imposed on Indonesia to respond more decisively to developments in the South China Sea,¹³ the general public has raised increasing concerns about the extent and nature of China's penetration of the Indonesian economy.

Jokowi has made infrastructure development one of his priorities during his presidential campaign, which he has pursued in earnest since taking office. Insufficient infrastructures have long been a problem in Indonesia, reducing Indonesia's economic competitiveness and widening the socioeconomic gap between the more developed western part of Indonesia with the eastern part of the country. China has become a favoured source of funding for the Jokowi government's ambitious infrastructure development. Indonesia has joined the China-led Asian Investment Infrastructure Bank (AIIB) and designated a number of areas as part of the BRI.

Projects funded by loans from China are usually built by Chinese firms employing large numbers of workers brought from China. This has become fodder for negative campaigns against the government in general and Jokowi in particular. In social media, hoax news proliferated, particularly before the 2017 Jakarta gubernatorial election, about the influx of up to 10 million Chinese illegally entering the country, among others allegedly to vote for the ethnic Chinese incumbent governor, Basuki Tjahaja Purnama (Ahok), who had served as Vice Governor when Jokowi was the Governor of Jakarta and who was thus closely identified with the latter.

While social media rumours about the 10 million illegal Chinese presence could easily be shown to be fabricated, concerns about the large numbers of blue-collar Chinese workers employed by Chinese companies, both officially registered and unregistered, have also been raised by the mainstream media. For example, on 15 November 2017, *The Jakarta Post* published a series of reports about the development of an industrial park in Morowali, Central Sulawesi, which was managed by a Chinese joint venture, PT Indonesia Morowali Industrial Park (IMIP). The titles of the articles which include "Morowali: a tale of China's grip on rich region" and "Anti-Chinese spectre raises head in C. Sulawesi regency", spoke for themselves. Periodic media reports about the presence of both legal and illegal workers from China have kept these issues alive.

CONCLUSION

The sharp swing in Indonesia's policy from Sukarno's Jakarta-Beijing axis to Suharto's total freezing of relations with China throughout most of the New Order period was mainly caused by sharp differences in perceptions about threats and priorities between these two leaders and the forces that supported them. While the full rapprochement between Jakarta and Beijing in the post-Suharto period is to be welcomed and should be nurtured, it must be noted that these relations are becoming increasingly contested. President Joko Widodo has come under increasing criticism for not sufficiently protecting Indonesia's wider national interests in his drive to attract foreign investment from China.

The rise in identity politics, which gathered momentum during the gubernatorial electoral campaign in Jakarta in late 2016 when the popular incumbent, Basuki Tjahaja Purnama, an ethnic Chinese and a Christian, was the target of large-scale demonstrations by Islamic groups who accused him of blasphemy against Islam, have again to a certain extent conflated Indonesia-China relations with domestic political competitions for power. In the run-up to the presidential election in April 2019, President Joko Widodo has become a target of massive black campaigns in the social media accusing him of being a hand-maiden of both China's and local *Tionghoa's* interests.¹⁴ Although so far Jokowi's popularity has not been too affected by the various allegations made against him, including the patently false rumours that his family were members of the PKI and of Chinese descent, there are real concerns that in the increasingly charged political climate, the rise in anti-Chinese sentiments may again be manipulated for political purposes. Great care must, therefore, be taken to address all the issues that have arisen in Indonesia-China bilateral relations, for if left unattended they may jeopardise all the gains that have been made, including Indonesia's hard-won and still fragile inter-racial harmony.

¹ See Johannes Herlijanto, "How the Indonesian Elite Regards Relations with China". *Perspective*, Issue: 2017 No. 8. Singapore: ISEAS, 10 February 2017.

² Anak Agung Gde Agung, *Twenty Years Indonesian Foreign Policy, 1945-1965*. The Hague: Mouton, 1973.

³ See John Legge, *Sukarno: A Political Biography*. London: Penguin Press, 1972

⁴ J.A.C. Mackie, *Konfrontasi: The Indonesia-Malaysia Dispute, 1963-1966*. Kuala Lumpur: Oxford University Press, 1974.

⁵ See Harold Crouch, *The Army and Politics in Indonesia*. Ithaca and London: Cornell University Press, 1978.

⁶ This episode of Indonesian history has continued to generate great controversy, with a number of scholars arguing that the Gestapu affair was an internal army affair, not one that was master-minded by the PKI, while others supporting the official New Order version of the event. Since the fall of Suharto, a number of Indonesian scholars have also published their research on the subject, but questions about who were ultimately responsible for the killing of the Army generals, and the subsequent bloody reprisals against PKI members and sympathisers, have continued to be a very divisive and touchy subject in Indonesia.

⁷ Sheldon W. Simon, *The Broken Triangle. Peking, Jakarta and the PKI*. Baltimore: John Hopkins Press, 1969.

⁸ Leo Suryadinata, *China and the ASEAN States: The Ethnic Chinese Dimension*. Singapore: University Press, 1985, pp. 35-36.

⁹ See Rizal Sukma, “Indonesia-China Relations: The Politics of Re-Engagement”. *Asian Survey*, Vol. 49, No. 4 (July/August 2009). pp. 591-608

¹⁰ “Indonesia-China Balance of Trade”. Data Compilation of Statistics Indonesia/BPS.

¹¹ See Evi Fitriani, “Indonesian perceptions of the rise of China: dare you, dare you not”. *The Pacific Review*, 2018. DOI: 10.1080/09512748.2018.1428677. Routledge, Taylor & Francis Group.

¹² Alexandra C. Chandra and Lucky A.Lontoh, “Indonesia-China Trade Relations: The deepening of economic integration amid uncertainty?”. Trade Knowledge Network (tkn). International Institute for Sustainable Development (iisd), 2011.

¹³ See Emirza Adi Syailendra, “Indonesia’s elite divided on China”, *East Asia Forum*, 20 April 2018, and Evan A. Laksmana, “The Domestic Politics of Indonesia’s Approach to the Tribunal Ruling and the South China Sea”. *Contemporary Southeast Asia*, Vol. 38, No.3, 2016, pp. 382-88.

¹⁴ Fajar Riza Ul Haq, “Jokowi dan Tionghoa”, *Kompas*, 7 July 2018.

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